

## UNITED STATES CIVIL SERVICE COMMISSION

BUREAU OF RETIREMENT AND INSURANCE  
WASHINGTON 25, D.C.ADDRESS REPLY TO  
"U.S. CIVIL SERVICE COMMISSION"  
AND REFER TO

FILE RH:IK:ams

AND DATE OF THIS LETTER

March 3, 1961

[redacted]  
Government Employees Health Association, Inc.  
P.O. Box 463  
Washington, D. C.

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Dear [redacted]

Your health benefits contract with the Civil Service Commission provides that it will be continued without change for the new contract term beginning November 1, 1961, unless at least 60 days prior to that date either party gives notice of intent to terminate the contract, or unless prior to that date, we mutually agree on changes in the contract. The purpose of this letter is to ask you to let us know about any changes you would propose in your contract so that we can make early preparations for the "open season" scheduled for October 1-15, 1961.

Specifically, we would appreciate receiving a statement of any changes which you propose to make in (1) the benefits now provided by your plan and (2) the biweekly subscription rate of either option of your plan. In addition, we would appreciate your marking your present brochure to (1) reflect any changes which you believe should be made to show more accurately and explain more clearly the current benefits of the plan and (2) describe any changes in benefits which you are proposing. We are considering labeling the brochure in some way as the certificate of insurance and want to assure that it reflects simply but as accurately as possible all the benefits, limitations, and exclusions of the contracts.

As you know, we are now making a survey of employee attitudes regarding the health benefits program and the various participating plans. As the results of our evaluation pertaining to your plan become available, we will let you have this information. In this way both you and we will be informed of employee attitudes toward your benefit structure and other aspects of your plan. This information plus your experience and ours during the first contract term, should enable us to effect improvements.

For your information in thinking about proposed changes for the next contract, you should assume that the Government contribution to the cost of an employee's enrollment will remain the same as now and that the three percent contingency reserve will not be available to finance any rate increase. Therefore, if a rate increase is necessary because you

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propose to increase benefits or for other reasons, the additional cost will have to be borne by the employee. We have concluded that the three percent contingency should not be authorized for use at this time, because the contract renegotiations and the October 1961 open enrollment period provide full opportunity to adjust premiums to recent experience. This year's concern is largely one of adjusting estimates of cost which last year had to be made without benefit of any experience with these new plans.

If it is feasible, we intend to explain to employees how much of any rate increase is due to new benefits and how much to other reasons. If you propose upward rate changes, we would like to have your best judgment at this time as to how much of the increase is attributable to new benefits you propose to offer and how much is attributable to other specific reasons (for example, the higher cost of current benefits). Please break this information on increased rates down by option and by type of enrollment (single or family). We realize that your judgments on this matter will be tentative at this time but there will be opportunity for adjusting these figures before contract negotiations are completed.

The foregoing assumes that any rate changes will be upward. We hope, of course, that in some cases rates may be lowered.

Before the "open season" (October 1-15, 1961), we will have to inform employees of the changes in plans and give them an opportunity to change their elections. Although tentatively we plan to print and distribute new brochures when any significant changes are made in a health benefits plan, I will be glad to have your views on the best ways in which the information on changes in the present plans and on any new plans that will be participating in the program can be made available to employees.

I am looking forward to your reply and hope that you will be able to submit the information requested no later than March 31, 1961, or earlier if possible as we have set July 1, 1961 as the target date for completing preparations for the "open season." The sooner we have your proposal, the sooner we can discuss it with you and complete preparations for your plan.

On or about July 1, 1961, after renegotiation of contracts of participating plans has been completed, we will simultaneously announce the changes, if any, made by each plan. We do not propose to give advance publicity to changes made by any plan, including the Government-wide plans. We believe that any changes in the benefits structure of a plan

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should reflect the experience of that plan and should not be based on the benefits provided or proposed by any other plan. Additionally, our experience last year showed that most carriers were reluctant to divulge their benefits structure to other carriers in advance of the signing of contracts.

Sincerely yours,

A handwritten signature in cursive script that reads "Andrew E. Ruddock". The signature is written in dark ink and is positioned above the typed name and title.

Andrew E. Ruddock  
Director